AIR TRANSPORT AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

The Government of the United States of America and the Government of the Russian Federation hereinafter referred to as the "Parties";

DESIRING to facilitate the expansion of international air transport opportunities;

DESIRING to ensure the highest degree of safety and security in international air transport and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air transportation, and undermine public confidence in the safety of civil aviation;

BEING Parties to the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944; and

DESIRING to conclude an Agreement for the purpose of establishing air services between and beyond their respective territories;

HAVE AGREED AS FOLLOWS:

ARTICLE 1

Definitions

For the purposes of this Agreement, unless otherwise stated, the term:

a. "Aeronautical authorities" means, in the case of the United States, the Department of Transportation, or its successor, and in the case of the Russian Federation, the Air Transport Department of the Ministry of Transport, or their successors;

b. "Agreement" means this Agreement, its Annexes, which shall be an integral part of the Agreement, and any amendments thereto;

c. "Air transportation" means any operation (including both scheduled and charter services) performed by aircraft for the public carriage of traffic in passengers, baggage, cargo and mail, separately or in combination, for remuneration or hire;

d. "Convention" means the Convention on International Civil Aviation, opened for signature at Chicago on December 7, 1944, and includes:

(i) any amendment which has entered into force under Article 94(a) of the Convention and has been ratified by both states; and

(ii) any Annex or any amendment thereto adopted under Article 90 of the Convention, insofar as such Annex or amendment is at any given time effective for both Parties;

e. "Designated airline" means an airline designated and authorized in accordance with Article 3 of this Agreement;

f. "Full cost" means the cost of providing service plus a reasonable charge for administrative overhead;

g. "Ground handling" means the processing, loading and unloading of passengers, baggage, cargo, mail and aircraft stores, aircraft cleaning, and other rampside and airport terminal activities;

h. "International air transportation" means air transportation which passes through the airspace over the territory of more than one State;

i. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail)

in air transportation charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;

j. "Stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, baggage, cargo and/or mail in air transportation; and

k. "User charge" means a charge made to airlines for the provision of airport, air navigation or aviation security facilities and services.

ARTICLE 2

Grant of Rights

1. Subject to the provisions of Annex 4, each Party grants to the other Party the following rights for the conduct of international air transportation by airlines authorized to operate under the laws and regulations of the other Party:

a. the right to fly across its territory without landing;

b. the right to make stops in its territory for

non-traffic purposes;

c. the right to carry out international air transportation on routes specified in Annex 1;

d. the right to carry out international air transportation between points specified in Annex 1 and points in third countries, through points in the territory of the Party of which the airline is a national; and

e. the rights otherwise specified in this Agreement, including those rights specified in Annex 2.

2. Nothing in this Article shall be deemed to confer on the airline or airlines of the other Party the rights to take on board, in the territory of the other Party, passengers, their baggage, cargo, or mail for compensation and destined for another point in the territory of that other Party (cabotage).

ARTICLE 3

Designation and Authorization

1. Subject to the provisions of Annex 1 and Annex 2, each Party shall have the right to designate airlines to conduct

international air transportation in accordance with this Agreement and to withdraw or alter such designations. Such designations shall be transmitted to the other Party in writing through diplomatic channels, and shall identify whether the airline is authorized to conduct the type of air transportation specified in Annex 1, or in Annex 2, or both.

2. On receipt of such a designation, and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical permissions, the other Party shall grant appropriate authorizations and permissions with minimum procedural delay, provided:

a. substantial ownership and effective control of that airline are vested in the Party designating the airline, nationals of that Party, or both;

b. the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air transportation by the Party considering the application or applications; and

c. the Party designating the airline is maintaining and administering the standards set forth in Article 6 (Safety) and Article 7 (Aviation Security) of this Agreement.

3. When an airline has been so designated and authorized, it may begin to operate the agreed services for which it is designated.

ARTICLE 4

Revocation of Authorization

1. Each Party may revoke, suspend, or limit the operating authorizations or technical permissions of an airline designated by the other Party where:

a. substantial ownership and effective control of that airline are not vested in the other Party, the other Party's nationals, or both;

b. that airline has failed to comply with the laws and regulations referred to in Article 5 (Application of Laws) of this Agreement;

c. the other Party is not maintaining and administering the standards as set forth in Article 6 (Safety) of this Agreement; or

d. the other Party or its airline has failed to fulfill the conditions under which the rights are granted in accordance

with this Agreement.

2. Unless immediate action is essential to prevent further non-compliance with subparagraphs 1b, 1c, or 1d of this Article, the rights established by this Article shall be exercised only after consultation with the other Party.

3. This Article does not limit the rights of either Party to suspend, limit, or condition air services in accordance with the provisions of Article 7 (Aviation Security) of this Agreement.

ARTICLE 5

Application of Laws

1. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the operation and navigation of aircraft shall be complied with by the other Party's airlines.

2. While entering, within, or leaving the territory of one Party, its laws and regulations relating to the admission to or departure from its territory of passengers, crew, cargo, or aircraft (including regulations relating to entry, clearance,

aviation security, immigration, passports, customs, and quarantine or, in the case of mail, postal regulations) shall be complied with by or on behalf of such passengers, crew, cargo, or aircraft of the other Party's airlines.

3. The Parties shall grant, without limitation, in advance, and with a validity of at least twenty four months, visas for all aircraft crews and cabin crews of each designated airline operating the scheduled services. These visas shall be valid for any number of flights into and out of the territory of the other Party during the period of their validity.

4. The Parties shall grant in advance visas of appropriate duration and scope for the aircraft crews and cabin crews of each designated airline operating charter air services.

5. The Parties shall grant, without limitation, in advance, and with a validity of at least twelve months, visas for airline personnel of designated airlines stationed at points on the agreed routes within the territory of the other Party, and the government officials of the other Party involved in civil aviation. These visas shall be valid for any number of visits into and out of the territory of the other Party during the period of their validity.

6. Each Party shall assist the other in obtaining copies of the relevant laws and regulations referred to in this Article.

ARTICLE 6

Safety

1. The Parties shall take all necessary measures to ensure safe and effective operation of the air transportation covered by this Agreement.

2. Each Party shall recognize as valid, for the purpose of operating the air transportation provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the other Party and still in force: provided, that the requirements for such certificates or licenses at least equal the minimum standards which may be established pursuant to the Convention. Each Party may, however, refuse to recognize as valid for the purpose of flights above its own territory, certificates of competency and licenses granted to, or validated for, its own nationals by the other Party.

3. The provisions of paragraph 2 of this Article shall not be considered as precluding such particular deviations from the specified requirements as may be agreed between Parties.

4. Each Party may request consultations concerning the safety standards maintained by the other Party relating to aeronautical facilities, air crew, aircraft, and operation of the designated airlines. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards and requirements in these areas that at least equal the minimum standards which may be established pursuant to the Convention, or in accordance with paragraph 3 of this Article, the other Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards; and the other Party shall take appropriate corrective action. Each Party reserves the right to withhold, revoke, or limit the operating authorization or technical permission of an airline or airlines designated by the other Party in the event the other Party does not take such appropriate corrective action within a reasonable time.

ARTICLE 7

Aviation Security

1. In accordance with their rights and obligations under international law, the Parties reaffirm that their obligation to protect, in their mutual relationship, the security of civil aviation against acts of unlawful interference forms an integral

part of this Agreement.

2. The Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of aircraft and other unlawful acts against the safety of passengers, crew, aircraft, airports and air navigation facilities, and any other threat to aviation security.

3. The Parties shall act in conformity with the provisions of the Convention on Offenses and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971, and other conventions in this field which have entered into force for both Parties.

4. The Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Convention on International Civil Aviation; they shall require that operators of aircraft of their registry or operators who have their principal place of business or permanent residence in their territory and operators of airports in their

territory act in conformity with such aviation security provisions.

5. Each Party agrees to observe the security provisions required by the other Party for entry into the territory of that other Party and to take adequate measures to protect aircraft and to inspect passengers, crew, their carry-on items, as well as cargo and aircraft stores prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for special security measures to meet a particular threat.

6. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports, and air navigation facilities occurs, the Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat thereof.

7. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with aeronautical authorities of the other Party. Failure to reach a satisfactory agreement

within 15 days from the date of such request will constitute grounds for a decision to withhold, revoke, limit or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party. When required by an emergency, a Party may take interim action prior to the expiry of 15 days.

ARTICLE 8

Commercial Opportunities

1. Subject to Annex 4(II), the designated airlines of one Party may establish offices in the territory of the other Party for the promotion and sale of air transportation.

2. The designated airlines of one Party may, in accordance with the laws and regulations of the other Party relating to entry, residence, and employment, bring in and maintain in the territory of the other Party managerial, sales, technical, operational, and other specialist staff required for the provision of air transportation.

3. Subject to Annex 3, each designated airline may perform its own ground handling in the territory of the other Party ("self-handling") or, at its option, select among competing

agents for such services in whole or in part. These rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services if self-handling were possible.

4. Subject to Annex 3, the designated airlines of each Party may engage in the sale of air transportation on their own transportation documents in the territory of the other Party directly and, at the airline's discretion, through its agents, except as may be specifically provided by the charter regulations of the country in which the charter originates that relate to national security or to the protection of passenger funds and passenger cancellation and refund rights. Subject to Annex 3, each designated airline may sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory (if the tariffs of the airlines and the laws and regulations in this territory provide for payment in such currency) or in freely convertible currencies.

5. Subject to Annex 3, each airline may convert and remit to its country in freely convertible currencies, on demand, local revenues in excess of sums locally disbursed. Conversion and

remittance shall be permitted promptly without restrictions or taxation in respect thereof at the market rate of exchange applicable on the date of application for remittance.

6. Subject to Annex 3, the airlines of one Party shall be permitted to pay for local expenses, including purchases of fuel, in the territory of the other Party in local currency. At their discretion, the airlines of one Party may pay for such expenses in the territory of the other Party in freely convertible currencies according to local currency regulations.

7. Subject to Annex 3, the designated airlines of one Party shall be permitted to hold bank accounts in their own names in the territory of the other Party, in the currency of either Party, or in any freely convertible currency, at the airline's option.

8. Passengers intending to undertake a trip, regardless of their citizenship, shall be free to choose the airline or airlines.

9. The provisions of this Article shall be applicable to cargo as well as passenger transportation.

ARTICLE 9

Customs Duties and Charges

1. On arriving in the territory of one Party, aircraft operated in international air transportation by the designated airlines of the other Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including, but not limited to, such items of food, beverages and liquor, tobacco, and other products destined for sale to or use by passengers in limited quantities during flight) and other items intended for or used solely in connection with the operation or servicing of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes, and capital levies, customs duties, excise taxes, and similar fees and charges imposed by the national authorities and not based on the cost of services provided, provided such equipment and supplies remain on board the aircraft.

2. There shall also be exempt, on the basis of reciprocity, from the taxes, duties, fees, and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided:

a. aircraft stores introduced into or supplied in the territory of one Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the territory of the Party in which they are taken on board;

b. ground equipment and spare parts (including engines) introduced into the territory of a Party for the servicing, maintenance, or repair of aircraft of an airline of the other Party used in international air transportation; and

c. fuel, lubricants, and consumable technical supplies introduced into or supplied in the territory of a Party for use in an aircraft of an airline of the other Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the territory of the Party in which they are taken on board.

3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.

4. The exemptions provided by this Article shall also be available where the airlines of one Party have contracted with

another airline, which similarly enjoys such exemptions from the other Party, for the loan or transfer in the territory of the other Party of the items specified in paragraphs 1 and 2 of this Article.

5. Each Party shall ensure the provision at a reasonable price or facilitate the importation into its territory of an adequate quantity of aviation fuel of required grade, quality, and specifications for the airlines of the other Party in accordance with the request of such airlines.

6. The designated airlines of one Party may, in accordance with the laws and regulations of the other Party relating to customs and duties, bring in and maintain at each of the points on the agreed routes within the territory of the other Party material and equipment required by those airlines for the provision and promotion of air services. Printed catalogues, price lists, trade notices or tourist and other literature (including posters) shall be admitted duty free.

ARTICLE 10

User Charges

1. Consistent with the provisions of this Article, charges for the use of air navigation facilities, communication facilities and services, as well as, any charges for the use of each airport, including its installations, technical and other facilities and services ("user charges"), shall be made in accordance with the rates and tariffs established by each Party.

2. User charges which may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other Party shall be just, reasonable, non-discriminatory and equitably apportioned among categories of users. In any event, user charges shall be assessed on all airlines of each Party on terms not less favorable than the most favorable terms available to any other airline at the time the charges are assessed.

3. User charges imposed on the airlines of the other Party may reflect, but shall not exceed, an equitable portion of the full cost, to the competent charging authorities or bodies, of providing the appropriate airport, air navigation, and aviation security facilities and services, and in the case of airport charges, may provide for a reasonable rate of return, after depreciation. Facilities and services for which charges are made

shall be provided on an efficient and economic basis. Reasonable notice shall be given prior to changes in user charges.

4. Each Party shall encourage consultations between the competent charging authorities or bodies in its territory and airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary for an accurate review of the reasonableness of the charges in light of the principles of paragraphs (2) and (3) of this Article.

ARTICLE 11

Fair Competition

1. Each Party shall allow a fair and equal opportunity for the designated airlines of both Parties to compete in the international air transportation covered by this Agreement.

2. Each Party shall take all appropriate action within its jurisdiction to eliminate all forms of discrimination or unfair competitive practices adversely affecting the competitive position of the airlines of the other Party.

3. Neither Party, nor its designated airlines, shall impose

on the other Party's designated airlines a first refusal requirement, uplift ratio, no-objection fee, or any other requirement with respect to the capacity, frequency, or traffic which would be inconsistent with the purposes of this Agreement.

4. In operating the agreed services, the designated airlines of one Party shall take into account the interests of the designated airlines of the other Party so as not to affect unduly the services which the latter provides on the whole or any part of the same routes.

ARTICLE 12

Pricing

1. Each Party shall allow prices for air transportation to be established by each designated airline based upon commercial considerations in the marketplace. Intervention by the Parties shall be limited to:

a. prevention of discriminatory prices or practices;

b. protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position;

c. protection of airlines from prices that are artificially low because of direct or indirect governmental subsidy or support; and

d. protection of airlines from prices that are artificially low and offered with the intent of eliminating competition.

2. Each Party may require notification to or filing with its aeronautical authorities of prices proposed to be charged to or from its territory by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than 30 days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Neither Party shall require the notification or filing by airlines of the other Party of prices charged by charterers to the public, except as may be required on a non-discriminatory basis for information purposes.

3. Neither Party shall take unilateral action to prevent the inauguration or continuation of a price proposed to be charged or charged by (a) an airline of either Party for international air transportation between the territories of the Parties, or (b) an airline of one Party for international air transportation between the territory of the other Party and any other country, including

in both cases transportation on an interline or intraline basis. If either Party believes that any such price is inconsistent with the considerations set forth in paragraph 1 of this Article, it shall request consultations and notify the other Party of the reasons for its dissatisfaction as soon as possible. These consultations shall be held not later than 30 days after receipt of the request, and the Parties shall cooperate in securing information necessary for reasoned resolution of the issue. If the Parties reach agreement with respect to a price for which a notice of dissatisfaction has been given, each Party shall use its best efforts to put that agreement into effect. Without such mutual agreement, the price shall go into effect or continue in effect.

ARTICLE 13

Consultations

Either Party may, at any time, request consultations between appropriate authorities of both Parties for the discussion, interpretation, application, or amendment of this Agreement. Such consultation shall begin within 60 days of the receipt of the request by the Department of State of the United States of America or by the Ministry of Foreign Affairs of the Russian Federation, respectively. In the event that agreement is reached

concerning the amendment of this Agreement, these amendments shall come into force upon confirmation by an exchange of diplomatic notes.

ARTICLE 14

Settlement of Disputes

1. Any dispute arising under this Agreement, except those which may arise under paragraph 3 of Article 12 (Pricing) of this Agreement, should be resolved by consultations or by other communications between the appropriate authorities of the Parties. If the dispute is not resolved by such consultations or communications, it may be referred by agreement of the Parties for decision to some person or body.

2. If the Parties do not so agree, the dispute shall at the request of either Party be submitted to arbitration in accordance with the procedures set forth below.

3. Arbitration shall be by an *ad hoc* tribunal of three arbitrators to be constituted as follows:

a. within 30 days after the receipt of a request for arbitration, each Party shall name one arbitrator. Within 60

days after these two arbitrators have been named, they shall by agreement appoint a third arbitrator, who shall act as President of the arbitral tribunal;

b. if either Party fails to name an arbitrator, or if the third arbitrator is not appointed in accordance with subparagraph (a) of this paragraph, either Party may request the President of the Council of the International Civil Aviation Organization to appoint the necessary arbitrator or arbitrators within 30 days. If the President of the Council is of the same nationality as one of the Parties, the most senior Vice President who is not disqualified on that ground shall make the appointment.

4. Except as otherwise agreed, the arbitral tribunal shall determine the limits of its jurisdiction in accordance with this Agreement and shall establish its own procedures. The tribunal, once formed, shall have the jurisdiction to grant interim relief pending its final determination. At the direction of the tribunal or at the request of either of the Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held no later than 15 days after the tribunal is fully constituted.

5. Except as otherwise agreed or directed by the tribunal,

each Party shall submit a memorandum within 45 days of the time the tribunal is fully constituted. Replies shall be due 60 days later. The tribunal shall hold a hearing at the request of either Party or at its discretion within 15 days after replies are due.

6. The tribunal shall attempt to render a written decision within 30 days after completion of the hearing or, if no hearing is held, after the date both replies are submitted. The decision of the majority of the tribunal shall prevail.

7. The Parties may submit requests for clarification of the decision within 15 days after it is rendered and any clarification given shall be issued within 15 days of such request.

8. Each Party shall, consistent with its national law, give full effect to any decision or award of the arbitral tribunal.

9. The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Parties. Any expenses incurred by the President of the Council of the International Civil Aviation Organization in connection with the procedures of paragraph 2(b) of this Article shall be considered to be part of the expenses of the arbitral tribunal.

ARTICLE 15

Suspension

1. Flights of the airlines of both Parties on the agreed route or routes shall be suspended upon thirty (30) days' notice given by one Party to the other if it finds that its designated airlines are prevented from operating flights on the agreed route or routes because of circumstances beyond the control of the first Party. Such flights may be suspended immediately by either Party if extraordinary circumstances arise which are beyond the control of the appropriate authorities of the Party.

2. Services so suspended can thereafter be reinstated through an exchange of notes between the Parties and shall be carried on in accordance with the terms of this Agreement.

ARTICLE 16

Termination

Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate twelve

(12) months after the date of receipt of the notice by the other Party, unless the notice is withdrawn by agreement of the Parties before the end of this period.

ARTICLE 17

Registration with ICAO

This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

ARTICLE 18

Entry into Force

This Agreement shall enter into force on the date of signature.

Upon entry into force, this Agreement shall supersede, in relations between the United States of America and the Russian Federation, the June 1, 1990 Air Transport Agreement between the Government of the United States of America and the Government of the Union of Soviet Socialist Republics, as amended, and the Supplementary Agreement of November 4, 1966, as amended.

In witness whereof, the undersigned, being duly authorized by their respective Governments, have signed the present Agreement.

DONE in duplicate at Moscow in the English and the Russian languages, this 14th day of January, 1994, both texts being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

Warren Christopher

FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION:

Appendix B

ANNEX I

Scheduled Air Services

Section 1

A. Notwithstanding the provisions of the first sentence of paragraph 1 of Article 3 of the Agreement, until April 11, 2004, the United States of America shall have the right to designate up to six combination (passenger/cargo) airlines and three all-cargo carriers, and the Russian Federation shall have the right to designate up to nine combination or all-cargo airlines, to operate services on the routes specified in Section 2 of this Annex.

B. Not more than three U.S. combination and two U.S. all-cargo and not more than three Russian combination and two Russian all-cargo airlines may operate between any city pair on the specified routes.

Section 2

Airlines designated under this Annex shall, in accordance with the terms of their designation, and subject to the provisions of Section 1 of Annex IV of the Agreement, be entitled to perform scheduled international air transportation: (1) between points on the following routes, and (2) between points on such routes and any points in third countries through points in the territory of the Party which has designated the airlines.

A. Routes for airlines designated by the Government of the United States of America: From a point or points in the United States of America via intermediate points[1,2] to Moscow, St. Petersburg, Magadan, Khabarovsk, Vladivostok, Petropavlovsk-Kamchatski, Yuzhno-Sakhalinsk and Nizhniy Novgorod, and beyond to China (including Hong Kong), the Republic of Korea, Singapore, Taiwan and the Philippines.

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1. Without traffic rights between points in Latvia, Lithuania, Estonia, Belarus, Moldova, Ukraine, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and mentioned points in the Russian Federation;

2. Without traffic rights between any points in Europe and points in the Russian Federation until April 11, 2004, unless the Parties agree otherwise. The Parties will consult prior to April 11, 2003 concerning this restriction.

B. Routes for the airline or airlines designated by the Government of the Russian Federation: From a point or points in the Russian Federation via intermediate points to Atlanta, Bangor, Boston, New York, Washington, Chicago, Dallas/Fort Worth, Anchorage, Seattle, Portland (Oregon), San Francisco, Los Angeles, Orlando, Honolulu, Miami, Columbus (Ohio), Houston and two points to be named by the Russian Federation, and beyond to fifteen points in the Western Hemisphere and Asia to be named by the Russian Federation.

Section 3

Each designated airline may, on any or all flights and its option,

A. operate flights in either or both directions;

B. combine different flight numbers within one aircraft operation;

C. serve points on the routes in any combination and in any order, which may include serving intermediate points as beyond points and beyond points as intermediate points;

D. omit stops at any point or points;

E. serve a number of points in the territory of the other Party by one aircraft operation, provided that it excludes cabotage;

F. transfer traffic (including its own stopover traffic) from any of its aircraft to any of its other aircraft at any point on the routes;

G. operate combination and all-cargo services to any third-country point not specified in Section 2 of this Annex, without traffic rights between the territory of the other Party and such unspecified point;

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under the Agreement; provided that the service operates via a point or points in the territory of the Party designating the airline.

Section 4

A. Until April 11, 2004, the U.S. airlines designated for combination service may operate up to 63 round-trip frequencies per week between points in the United States of America and points in the Russian Federation. Until April 11, 2004, U.S. airlines designated for all-cargo service may operate up to 23 round-trip frequencies per week, between points in the United States of America and points in the Russian Federation.

B. Until April 11, 2004, Russian designated airlines may operate up to 86 round-trip frequencies per week between points in the Russian Federation and points in the United States of America.

C. The frequencies mentioned above may be increased in accordance with Article 13 of the Agreement. Extra-section flights operated by designated airlines on the above-specified routes of one Party shall not be counted as a frequency, but must be approved in advance by the aeronautical authorities of the other Party.

D. The designated airlines of one Party while operating services in accordance with this Annex in the territory of the other Party may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning restrictions that may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 5

On any segment or segments of the routes above, a designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated, provided that in the outbound direction the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation beyond such point.

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Section 6

Notwithstanding any other provision of the Agreement, airlines of both Parties shall be permitted, without restriction, to employ in connection with international air transportation any surface transportation company which has appropriate permission from the respective authorities to engage in surface transportation of cargo to or from any points in the territories of the Parties or in third countries, including transport to and from all airports with customs facilities, and including, where applicable, the right to transport cargo in bond under applicable law and regulations. Such cargo, whether moving by surface or by air, shall have, pursuant to relevant non-discriminatory procedures and regulations, access to airport customs processing and facilities. Designated airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of cargo transportation pursuant to the condition that any surface carrier shall have the appropriate permission to engage in surface transportation of cargo. Such intermodal cargo services may be offered at a single through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Section 7

An airline of one Party authorized to operate scheduled service and an airline of the other Party may establish joint ventures to the extent consistent with this Agreement and other applicable laws of the Parties.

Section 8

This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX II

Charter Air Services

Section 1

A. Airlines of one Party designated under this Annex, in accordance with the terms of their designation, and subject to the provisions of this Annex and Section 1 of Annex IV of the Agreement, may carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split and combination (passenger/cargo) charters) between any point or points in the territory of the Party that has designated the airline and any point or points in the territory of the other Party.

B. In the performance of services covered by this Annex, airlines of one Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Party; (2) to carry transit traffic through the other Party's territory pursuant to conditions and limitations mentioned in Annex IV of the Agreement; and (3) to combine on the same aircraft traffic originating in one Party's territory with traffic that originated in the other Party's territory.

Section 2

A. On the North Atlantic route, the total number of such roundtrip flights for the airlines of each Party shall not exceed: (a) for passenger and combination charters - 150 per year; and (b) for cargo charters - 80 per year. Charter flights over the number mentioned above shall receive positive consideration by the aeronautical authorities of the respective Party on the basis of comity and reciprocity. The above quota may be changed by agreement of the Parties.

B. On the Transeast/North Pacific route, the total number of such roundtrip flights for the airlines of each Party shall not exceed: (a) for passenger and combinations charters - 150 per year; and (b) for cargo charters - 80 per year. Charter flights over the number mentioned above shall receive positive consideration by the aeronautical authorities of the respective Parties on the basis of comity and reciprocity. The above quota may be changed by agreement of the Parties.

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C. Subject to advance approval of routings and points in compliance with entry, transit, customs and immigration laws and regulations, and in accordance with the safety and national security requirements of the receiving Party, decisions on charter applications shall be made within 10 working days of receipt of the application. In the event of denial of an application, the denial shall specify which of the following reasons apply:

1. reciprocity

2. safety

3. national security considerations.

Applications filed on short notice shall receive sympathetic consideration, in the shortest possible time.

D. Charter flights shall be operated in accordance with the charter rules of the country in which the charter traffic originates. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria. However, nothing in this subsection shall limit the rights of one Party to require the designated airline or airlines of the other Party to adhere to requirements relating to national security or protection of passenger funds and passenger cancellation and refund rights.

Section 3

Humanitarian charters, if recognized by each of the Parties as such, shall not be included in the numerical limitation set forth in Section 2 of this Annex.

Section 4

An airline of one Party authorized to operate charter services and an airline of the other Party may establish joint ventures to the extent consistent with the Agreement and other applicable laws of the Parties.

Section 5

The designated airlines of one Party while operating services in accordance with this Annex in the territory of the other Party may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning restrictions that may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 6

This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX III

Commercial Opportunities

Section 1

A. Prior to such time as the Parties agree that designated airlines of the Parties may exercise fully all rights specified in paragraph 3 of Article 8 of the Agreement, the designated airlines of one Party shall have the right to select agents authorized in accordance with national laws and regulations for ground handling and fuel supply services in the territory of the other Party; provided that pending such agreement, designated airlines of one Party may exercise in the territory of the other Party all rights specified in paragraph 3 of Article 8 of the Agreement to the maximum extent permitted by the law of such other Party, and in any event to the maximum extent permitted to any other airline of any nationality other than the national airlines of such other Party.

B. The Parties agree that the availability of ground handling and fuel services to the airlines of both Parties shall be on a non-discriminatory basis. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning regulations which may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 2

A. Prior to such time as the Parties agree that U.S. designated airlines are permitted under Russian law to exercise fully all rights specified in Paragraphs 4-7 of Article 8 of the Agreement, the provisions of this Section shall apply in lieu of those paragraphs, provided that, pending such agreement, U.S. designated airlines may exercise all such rights in the Russian Federation to the maximum extent permitted by Russian law, and in any event to the maximum extent permitted to any other airline of any nationality other than the national airlines of the Russian Federation.

B. Notwithstanding the provisions of paragraph 1 of Article 8 of the Agreement, the airlines of one Party designated for scheduled services may establish offices in the territory of the other Party only at the cities specified on the routes set forth in Section 2 of Annex I of the Agreement.

C. The airlines of one Party designated in accordance with Annex I of the Agreement and pursuant to the terms of their designation shall be permitted to sell freely passenger and cargo air transportation in the territory of other Party on their own transportation documents at their own offices and through travel agents of that Party, as well as to appoint agents at their discretion, subject to generally applicable law of that Party.

Section 3

A. The provisions of this Annex shall be applicable to cargo as well as passenger transportation.

B. This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX IV

Overflights

Section 1

Notwithstanding the provisions of Article 2 of the Agreement, the right of the airlines of one Party to fly across the territory of the other Party; the right of airlines of one Party to make stops in the territory of the other Party for non-traffic purposes; and the air transportation rights granted in the Agreement shall be exercised only in accordance with the Air Traffic Services (ATS) routings for aircraft and the points for crossing national boundaries established by each Party within its territory for the purposes of the Agreement, taking into account security considerations.

Section 2

A. Until April 11, 2004, airlines of the United States of America may overfly and stop for non-traffic purposes on 42 flights per week (21 flights eastbound and 21 flights westbound) between points in Europe and the Indian subcontinent on ATS routings approved for international services[1]. U.S. authorities shall notify Russian Federation authorities of the allocation of such rights.

B. Until April 11, 2004, airlines of the United States of America may overfly and stop for non-traffic purposes on 28 flights per week (14 flights eastbound and 14 flights westbound) between points in Europe and points in the countries of Southeast Asia on the ATS routings over the Tashkent area approved for international services. U.S. authorities shall notify Russian Federation authorities of the allocation of such rights.

C. Until April 11, 2004, airlines of the United States of America may operate on the Transeast ATS routings network approved for international services 600 flights per week (200 flights eastbound and 400 flights westbound) between points in the United States of America and points in the Far East and in the Asia-Pacific region, provided that traffic handling capability on these ATS routings is adequate.

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1 This number of flights will remain in effect until April 11, 2004, unless the Parties agree otherwise. The Parties will consult prior to April 11, 2003, on this matter.

D. Until April 11, 2004, airlines of the United States of America may overfly and stop for non-traffic purposes on the Crosspolar ATS routings network approved for international services 70 flights per week (35 flights northbound and 35 flights southbound) between points in the United States of America and points in Asia and the Pacific region, provided that traffic handling capability on these ATS routings is adequate, and in accordance with the conditions published in the AIP of the Russian Federation. Flights that use the Crosspolar ATS routings network as well as the Transeast ATS routings network shall be counted only as flights under paragraph C.

Section 3

The designated airlines of one Party while operating services in accordance with this Annex may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party.

Section 4

The Parties shall provide the necessary air traffic services and weather services within their respective Flight Information Regions so that airlines and other civil aircraft operators of either Party may operate flights in accordance with the Agreement.

Section 5

The appropriate U.S. authorities shall make available to Russian airlines and other civil aircraft operators all U.S. airspace entry and exit points that are available to any non-U.S. airline. Subject to appropriate U.S. internal procedures, the U.S. authorities shall provide access to published common ATS routings to/from each entry and exit point for each destination authorized for scheduled and charter services pursuant to the Agreement, or to the optimal ATS routing where no common ATS routing is published. Russian airlines and other civil aircraft operators shall provide two weeks' advance notification of the specific entry point and exit point, and one alternate entry point and one alternate exit point, and ATS routing to be used for each destination to the Federal Aviation Administration (FAA) Office of International Aviation, Washington, D. C. Entry and exit points and ATS routings may be changed by the Russian airlines and other civil aircraft operators at any time with at least two weeks notice to FAA. The U.S. authorities reserve the right to modify the ATS routing

for security reasons, but shall attempt to keep the routing as close to optimum as possible.

Section 6

This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX V

Co-operative Marketing Arrangements

Section 1

A. Subject to the provisions of subsections B and C of this Section, each Party may authorize its airlines to enter into co-operative marketing arrangements such as block space, code-sharing, or leasing arrangements, and hold out service on aircraft operated by:

1. an airline or airlines of either Party, for services on any of the agreed routes;

2. an airline of a third country, for services between points authorized in the territories of the Parties, pursuant to Section 2 of Annex I of the Agreement, via:

a. for airlines of the United States, intermediate points in Europe *

b. for airlines of Russia, intermediate points in Europe or Latvia, Lithuania, Estonia, Belarus, Moldova, Ukraine, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

B. Each Party may authorize up to five code-sharing arrangements on services operated by airlines of third countries, in accordance with subsection A of this Section.

1. Each code-sharing arrangement involving an airline of a third country may serve the territories of the Parties via no more than one intermediate point. Such an intermediate point shall be chosen by each Party on behalf of its airline.

2. A Party may select the same airline to exercise more than one of the five arrangements provided for in subsection B of this Section. An airline selected to exercise more than one arrangement may use the allocation with the same partners or different partners, subject to the limitation that no more than daily service may be provided to the same city pair.

3. Each code-sharing arrangement shall be limited to 14 weekly operations, with no more than daily service being provided to the same city-pair.

C. Co-operative arrangements shall be subject to the requirements that all airlines in such arrangements: (1) hold the appropriate authority and (2) meet the requirements normally applied by each Party to such arrangements.

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* Third country code-share services with airlines of the Federal Republic of Germany shall not be permitted until the provisions in the bilateral air transport agreement, or in a related understanding, between the Federal Republic of Germany and the Russian Federation prohibiting third country code-share services to the Russian Federation is eliminated.

Section 2

A. For purposes of the frequency limitations on services stated in Section 4 of Annex I of the Agreement, code-share services operated between the territories of the Parties authorized under this Annex shall count for one-half of one frequency with respect to the non-operating airline of a Party and one full frequency for an operating airline of a Party.

B. An airline authorized to provide scheduled services under this Annex may hold out fifth freedom services on such operations, if the airline has also been designated under Annex I of the Agreement.

Section 3

This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX VI

Special Provisions For Services To And Via Alaska

Section 1
Scheduled Service

A. Code-Share Services For Airlines Designated by the Government of the Russian Federation:

The Government of the Russian Federation shall have the right to designate any number of airlines, which shall be entitled, in conjunction with flights operated to or via a point in Alaska, to hold out their services on services operated by airlines of either Party between any point or points in the territory of the Russian Federation and any point or points in the territory of the United States of America, subject to the following provisions:

1. All airlines engaged in code-share operations must have the appropriate authority.

2. All code-share arrangements must meet the requirements normally applied to such arrangements.

3. Code-share operations under subsection A of this Section shall not be counted against frequency limits set forth in Section 4 of Annex I of the Agreement applicable to operations by airlines designated by the Parties for any of the airlines involved.

4. Airlines designated solely to exercise the rights provided for in subsection A of this Section shall not be counted against the limits on designation set forth in Section 1 of Annex I of the Agreement applicable to the Parties.

B. Own-Aircraft Services by Airlines Designated by the Government of the Russian Federation:

1. The Government of the Russian Federation shall have the right to designate any number of airlines to operate any number of frequencies on routes between any point or points in the Russian Federation and any point or points in the United States of America, provided that the operation serves a point in Alaska.

2. Frequencies operated under paragraph 1 of subsection B of this Section shall not be counted against limits on frequencies applicable to operations by airlines designated by the Government of the Russian Federation set forth in subsection B of Section 4 of Annex I of the Agreement. Airlines designated solely to exercise rights provided for in paragraph 1 of this subsection shall not be counted against the limit on

designations applicable to the Government of the Russian Federation set forth in Section 1 of Annex I of the Agreement.

C. Own-Aircraft Services by Airlines Designated by the Government of the United States of America:

In addition to the route rights provided in Annex I, Section 2A, airlines designated by the Government of the United States of America shall be entitled to perform scheduled international air transportation between any point or points in Alaska and Anadyr, Provideniya, and Lavrentiya, subject to Russian Government internal regulations applicable for utilization of these airports, which will be applied on a non-discriminatory basis to international air services.

Section 2
Charter Service

The Government of the Russian Federation shall be entitled to designate any number of airlines to operate any number of charter services between Alaska and the Russian Far East.

Section 3

This Annex shall expire on April 11, 2004, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

Appendix B

PROTOCOL
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE RUSSIAN FEDERATION
TO AMEND THE JANUARY 14, 1994 AIR TRANSPORT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE RUSSIAN FEDERATION

The Government of the United States of America and the Government of the Russian Federation, hereinafter referred to as "the Parties";

Proceeding from the Air Transport Agreement between the Government of the United States of America and the Government of the Russian Federation, signed at Moscow on January 14, 1994, hereinafter referred to as "the Agreement";

Striving to further develop relations and cooperation between the two countries in the area of civil aviation; and

Desiring to amend the Agreement to replace the Annexes thereto that expired on January 22, 2001;

Have agreed as follows:

Article 1

The Annexes of this Protocol shall be integral parts of the Agreement, and shall govern scheduled air services (Annex I), charter air services (Annex II), commercial

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opportunities (Annex III), overflights (Annex IV), cooperative marketing arrangements (Annex V) and special provisions for services to and via Alaska (Annex VI).

Article 2

This Protocol shall enter into force upon signature and shall remain in force until March 25, 2007, unless the Parties agree otherwise in writing.

IN WITNESS WHEREOF the undersigned, being duly authorized by their Governments, have signed the present Protocol.

DONE at _____ this __ day of _____, in duplicate, in the Russian and English languages, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE RUSSIAN FEDERATION:

ANNEX I

Scheduled Air Services

Section 1

A. Notwithstanding the provisions of the first sentence of paragraph 1 of Article 3 of the Agreement, until March 25, 2007, the United States of America shall have the right to designate up to six combination (passenger/cargo) airlines and three all-cargo carriers, and the Russian Federation shall have the right to designate up to nine combination or all-cargo airlines, to operate services on the routes specified in Section 2 of this Annex.

B. Not more than three U.S. combination and two U.S. all-cargo and not more than three Russian combination and two Russian all-cargo airlines may operate between any city pair on the specified routes.

Section 2

Airlines designated under this Annex shall, in accordance with the terms of their designation, and subject to the provisions of Section 1 of Annex IV of the Agreement, be entitled to perform scheduled international air transportation: (1) between points on the following routes, and (2) between points on such routes and any points in third countries through points in the territory of the Party which has designated the airlines.

A. Routes for airlines designated by the Government of the United States of America: From a point or points in the United States of America via intermediate points[1,2] to Moscow, St. Petersburg, Magadan, Khabarovsk, Vladivostok, Petropavlovsk-Kamchatski, Yuzhno-Sakhalinsk and Nizhniy Novgorod, and to five additional points in the Russian Federation to be named by the United States of

1. Without traffic rights between points in Latvia, Lithuania, Estonia, Belarus, Moldova, Ukraine, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and mentioned points in the Russian Federation;
2. Without traffic rights between any points in Europe and points in the Russian Federation until March 25, 2007, unless the Parties agree otherwise.

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America for marketing services on a code-share only basis, and beyond to China (including Hong Kong), the Republic of Korea, Singapore, Taiwan and the Philippines.

B. Routes for the airline or airlines designated by the Government of the Russian Federation: From a point or points in the Russian Federation via intermediate points to Atlanta, Bangor, Boston, New York, Washington, Chicago, Dallas/Fort Worth, Anchorage, Seattle, Portland (Oregon), San Francisco, Los Angeles, Orlando, Honolulu, Miami, Columbus (Ohio), Houston and two points to be named by the Russian Federation, and to five additional points in the United States to be named by the Russian Federation for marketing services on a code-share only basis, and beyond to fifteen points in the Western Hemisphere and Asia to be named by the Russian Federation.

Section 3

Each designated airline may, on any or all flights and its option,

A. operate flights in either or both directions;

B. combine different flight numbers within one aircraft operation;

C. serve points on the routes in any combination and in any order, which may include serving intermediate points as beyond points and beyond points as intermediate points;

D. omit stops at any point or points;

E. serve a number of points in the territory of the other Party by one aircraft operation, provided that it excludes cabotage;

F. transfer traffic (including its own stopover traffic) from any of its aircraft to any of its other aircraft at any point on the routes;

G. operate combination and all-cargo services to any third-country point not specified in Section 2 of this Annex, without traffic rights between the territory of the other Party and such unspecified point;

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under the Agreement; provided that the service operates via a point or points in the territory of the Party designating the airline.

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Section 4

A. Until March 25, 2007, the U.S. airlines designated for combination service may operate up to 63 round-trip frequencies per week between points in the United States of America and points in the Russian Federation. Until March 25, 2007, U.S. airlines designated for all-cargo service may operate up to 23 round-trip frequencies per week, between points in the United States of America and points in the Russian Federation.

B. Until March 25, 2007, Russian designated airlines may operate up to 86 round-trip frequencies per week between points in the Russian Federation and points in the United States of America.

C. The frequencies mentioned above may be increased in accordance with Article 13 of the Agreement. Extra-section flights operated by designated airlines on the above-specified routes of one Party shall not be counted as a frequency, but must be approved in advance by the aeronautical authorities of the other Party.

D. The designated airlines of one Party while operating services in accordance with this Annex in the territory of the other Party may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning restrictions that may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 5

On any segment or segments of the routes above, a designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated, provided that in the outbound direction the transportation beyond such point is a continuation of the transportation from the territory of the Party that has designated the airline and, in the inbound direction, the transportation to the territory of the Party that has designated the airline is a continuation of the transportation beyond such point.

Section 6

Notwithstanding any other provision of the Agreement, airlines of both Parties shall be permitted, without restriction, to employ in connection with international air transportation any surface transportation company which has appropriate permission from the respective authorities to engage in surface transportation of cargo to or from any points in the territories of the Parties or in third countries, including transport to and from all airports with customs facilities, and including, where applicable, the right to transport cargo in bond under applicable law and regulations. Such cargo, whether moving by surface or by air, shall have, pursuant to relevant non-discriminatory procedures and regulations, access to airport customs processing and facilities. Designated airlines may elect to perform their own surface transportation or to provide it through arrangements with other surface carriers, including surface transportation operated by other airlines and indirect providers of cargo transportation pursuant to the condition that any surface carrier shall have the appropriate permission to engage in surface transportation of cargo. Such intermodal cargo services may be offered at a single through price for the air and surface transportation combined, provided that shippers are not misled as to the facts concerning such transportation.

Section 7

An airline of one Party authorized to operate scheduled service and an airline of the other Party may establish joint ventures to the extent consistent with this Agreement and other applicable laws of the Parties.

Section 8

This Annex shall expire on March 25, 2007, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX II

Charter Air Services

Section 1

A. Airlines of one Party designated under this Annex, in accordance with the terms of their designation, and subject to the provisions of this Annex and Section 1 of Annex IV of the Agreement, may carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split and combination (passenger/cargo) charters) between any point or points in the territory of the Party that has designated the airline and any point or points in the territory of the other Party.

B. In the performance of services covered by this Annex, airlines of one Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the territory of either Party; (2) to carry transit traffic through the other Party's territory pursuant to conditions and limitations mentioned in Annex IV of the Agreement; and (3) to combine on the same aircraft traffic originating in one Party's territory with traffic that originated in the other Party's territory.

Section 2

A. On the North Atlantic route, the total number of such roundtrip flights for the airlines of each Party shall not exceed: (a) for passenger and combination charters - 150 per year; and (b) for cargo charters - 80 per year. Charter flights over the number mentioned above shall receive positive consideration by the aeronautical authorities of the respective Party on the basis of comity and reciprocity. The above quota may be changed by agreement of the Parties.

B. On the Transeast/North Pacific route, the total number of such roundtrip flights for the airlines of each Party shall not exceed: (a) for passenger and combinations charters - 150 per year; and (b) for cargo charters - 80 per year. Charter flights over the number mentioned above shall receive positive consideration by the aeronautical authorities of the respective Parties on the basis of comity and reciprocity. The above quota may be changed by agreement of the Parties.

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C. Subject to advance approval of routings and points in compliance with entry, transit, customs and immigration laws and regulations, and in accordance with the safety and national security requirements of the receiving Party, decisions on charter applications shall be made within 10 working days of receipt of the application. In the event of denial of an application, the denial shall specify which of the following reasons apply:

1. reciprocity

2. safety

3. national security considerations.

Applications filed on short notice shall receive sympathetic consideration, in the shortest possible time.

D. Charter flights shall be operated in accordance with the charter rules of the country in which the charter traffic originates. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria. However, nothing in this subsection shall limit the rights of one Party to require the designated airline or airlines of the other Party to adhere to requirements relating to national security or protection of passenger funds and passenger cancellation and refund rights.

Section 3

Humanitarian charters, if recognized by each of the Parties as such, shall not be included in the numerical limitation set forth in Section 2 of this Annex.

Section 4

An airline of one Party authorized to operate charter services and an airline of the other Party may establish joint ventures to the extent consistent with the Agreement and other applicable laws of the Parties.

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Section 5

The designated airlines of one Party while operating services in accordance with this Annex in the territory of the other Party may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning restrictions that may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 6

This Annex shall expire on March 25, 2007, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX III

Commercial Opportunities

Section 1

A. Prior to such time as the Parties agree that designated airlines of the Parties may exercise fully all rights specified in paragraph 3 of Article 8 of the Agreement, the designated airlines of one Party shall have the right to select agents authorized in accordance with national laws and regulations for ground handling and fuel supply services in the territory of the other Party; provided that pending such agreement, designated airlines of one Party may exercise in the territory of the other Party all rights specified in paragraph 3 of Article 8 of the Agreement to the maximum extent permitted by the law of such other Party, and in any event to the maximum extent permitted to any other airline of any nationality other than the national airlines of such other Party.

B. The Parties agree that the availability of ground handling and fuel services to the airlines of both Parties shall be on a non-discriminatory basis. Each Party may request the assistance of the other Party, on behalf of its airline or airlines, concerning regulations which may be imposed by state or local governments or authorities. In response to such a request, the other Party shall bring the views of the requesting Party to the attention of the relevant governmental unit or authority and urge that those views be given appropriate consideration.

Section 2

A. Prior to such time as the Parties agree that U.S. designated airlines are permitted under Russian law to exercise fully all rights specified in Paragraphs 4-7 of Article 8 of the Agreement, the provisions of this Section shall apply in lieu of those paragraphs, provided that, pending such agreement, U.S. designated airlines may exercise all such rights in the Russian Federation to the maximum extent permitted by Russian law, and in any event to the maximum extent permitted to any other airline of any nationality other than the national airlines of the Russian Federation.

B. Notwithstanding the provisions of paragraph 1 of Article 8 of the Agreement, the airlines of one Party designated for scheduled services may establish offices in the territory of the other Party only at the cities specified on the routes set forth in Section 2 of Annex I of the Agreement.

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C. The airlines of one Party designated in accordance with Annex I of the Agreement and pursuant to the terms of their designation shall be permitted to sell freely passenger and cargo air transportation in the territory of other Party on their own transportation documents at their own offices and through travel agents of that Party, as well as to appoint agents at their discretion, subject to generally applicable law of that Party.

Section 3

A. The provisions of this Annex shall be applicable to cargo as well as passenger transportation.

B. This Annex shall expire on March 25, 2007, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

ANNEX IV

Overflights

Section 1

Notwithstanding the provisions of Article 2 of the Agreement, the right of the airlines of one Party to fly across the territory of the other Party; the right of airlines of one Party to make stops in the territory of the other Party for non-traffic purposes; and the air transportation rights granted in the Agreement shall be exercised only in accordance with Air Traffic Services (ATS) routings for aircraft and the points for crossing national boundaries established by each Party within its territory for the purposes of the Agreement, taking into account security considerations.

Section 2

A. Until March 25, 2007, airlines of the United States of America may overfly and stop for non-traffic purposes on 52 flights per week (26 flights eastbound and 26 flights westbound) between the United States and the Indian subcontinent either non-stop via European airspace or via points in Europe on ATS routings approved for international services. U.S. authorities shall notify Russian Federation authorities of the allocation of such rights.

B. Until October 28, 2006, airlines of the United States of America when operating all-cargo flights may overfly and stop for non-traffic purposes on 56 flights per week (28 flights eastbound and 28 flights westbound) between points in Europe and points in China (including Hong Kong), Philippines, Kazakhstan, India, Republic of Korea and Japan on ATS routings approved for international services. From October 29, 2006 until March 25, 2007, airlines of the United States of America when operating all-cargo flights may overfly and stop for non-traffic purposes on 62 flights per week (31 flights eastbound and 31 flights westbound) between points in Europe and points in China (including Hong Kong), Philippines, Kazakhstan, India, Republic of Korea and Japan on ATS routings approved for international services. Such flights shall be subject to the following conditions:

1. Flights that have entered or will depart the airspace of states of the former Soviet Union at points south of REVKI as well as flights originating or terminating in Kazakhstan may use the most direct

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ATS routings between BAEVO and GUTAN/ARISA and ATS routings to the south thereof.

2. Flights that have entered or will depart the airspace of states of the former Soviet Union at REVKI or points north thereof may use the most direct ATS routings between BAEVO and GUTAN/ARISA and ATS routings to the south thereof, provided such flights operate over a point in the Tashkent Flight Information Region.

U.S. authorities shall notify Russian Federation authorities of the allocation of such rights.

C. Until March 25, 2007, airlines of the United States of America may operate on the Transeast ATS routings network approved for international services 600 flights per week (200 flights eastbound and 400 flights westbound) between points in the United States of America and points in the Far East and in the Asia-Pacific region, provided that traffic handling capability on these ATS routings is adequate.

D. Until October 28, 2006, airlines of the United States of America may overfly and stop for non-traffic purposes on the Crosspolar ATS routings network approved for international services 104 flights per week (52 flights northbound and 52 flights southbound) between points in the United States of America and points in Asia and the Pacific region. From October 29, 2006 until March 25, 2007, airlines of the United States of America may overfly and stop for non-traffic purposes on the Crosspolar ATS routings network approved for international services 126 flights per week (63 flights northbound and 63 flights southbound) between points in the United States of America and points in Asia and the Pacific region. Such flights may be operated provided that traffic handling capability on these ATS routings is adequate, and in accordance with the conditions published in the AIP of the Russian Federation. Flights that use the Crosspolar ATS routings network as well as the Transeast ATS routings network shall be counted only as flights under paragraph C.

Section 3

The designated airlines of one Party while operating services in accordance with this Annex may utilize any type of subsonic aircraft with a capacity of fewer than 500 seats that is in accordance with the laws and regulations of the other Party.

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Section 4

The Parties shall provide the necessary air traffic services and weather services within their respective Flight Information Regions so that airlines and other civil aircraft operators of either Party may operate flights in accordance with the Agreement.

Section 5

The appropriate U.S. authorities shall make available to Russian airlines and other civil aircraft operators all U.S. airspace entry and exit points that are available to any non-U.S. airline. Subject to appropriate U.S. internal procedures, the U.S. authorities shall provide access to published common ATS routings to/from each entry and exit point for each destination authorized for scheduled and charter services pursuant to the Agreement, or to the optimal ATS routing where no common ATS routing is published. Russian airlines and other civil aircraft operators shall provide two weeks' advance notification of the specific entry point and exit point, and one alternate entry point and one alternate exit point, and ATS routing to be used for each destination to the Federal Aviation Administration (FAA) Office of International Aviation, Washington, D. C. Entry and exit points and ATS routings may be changed by the Russian airlines and other civil aircraft operators at any time with at least two weeks notice to FAA. The U.S. authorities reserve the right to modify the ATS routing for security reasons, but shall attempt to keep the routing as close to optimum as possible.

Section 6

This Annex shall expire on March 25, 2007, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.

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ANNEX V

Co-operative Marketing Arrangements

Section 1

A. Subject to the provisions of subsections B and C of this Section, each Party may authorize its airlines to enter into co-operative marketing arrangements such as block space, code-sharing, or leasing arrangements, and hold out service on aircraft operated by:

1. an airline or airlines of either Party, for services on any of the agreed routes including between points in the territory of each Party for international traffic;

2. an airline of a third country, for services between points authorized in the territories of the Parties, pursuant to Section 2 of Annex I of the Agreement, via:

a. for airlines of the United States, intermediate points in Europe

b. for airlines of Russia, intermediate points in Europe (including Latvia, Lithuania, Estonia, Belarus, Moldova, and Ukraine), and Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

B. Each Party may authorize up to five code-sharing arrangements on services operated by airlines of third countries, in accordance with subsection A of this Section.

1. Each code-sharing arrangement involving an airline of a third country may serve the territories of the Parties via no more than one intermediate point. Such an intermediate point shall be chosen by each Party on behalf of its airline.

2. A Party may select the same airline to exercise more than one of the five arrangements provided for in subsection B of this Section. An airline selected to exercise more than one arrangement may use the allocation with the same partners or different partners, subject to the limitation that no more than daily service may be provided to the same city pair.

3. Each code-sharing arrangement shall be limited to 14 weekly operations, with no more than daily service being provided to the same city-pair.

C. Co-operative arrangements shall be subject to the requirements that all airlines in such arrangements: (1) hold the appropriate authority and (2) meet the requirements normally applied by each Party to such arrangements.

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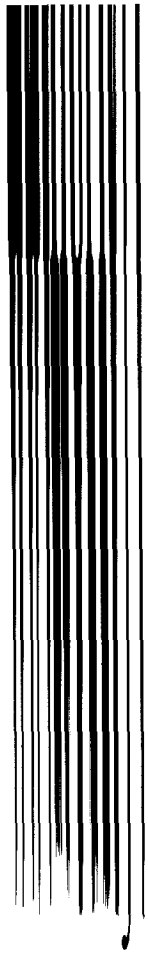
Section 2

A. For purposes of the frequency limitations on services stated in Section 4 of Annex I of the Agreement, code-share services operated between the territories of the Parties authorized under this Annex shall count for one-half of one frequency with respect to the non-operating airline of a Party and one full frequency for an operating airline of a Party.

B. An airline authorized to provide scheduled services under this Annex may hold out fifth freedom services on such operations, if the airline has also been designated under Annex I of the Agreement.

Section 3

This Annex shall expire on March 25, 2007, unless otherwise agreed prior to that date. The Parties agree to consult not later than six months in advance of the expiration date to determine whether the provisions of this Annex should be continued or modified. This Section does not modify any other provision of the Agreement regarding consultations or termination.



2. All code-share arrangements must meet the requirements normally applied to such arrangements.

3. Code-share operations under subsection A of this Section shall not be counted against frequency limits set forth in Section 4 of Annex I of the Agreement applicable to operations by airlines designated by the Parties for any of the airlines involved.

4. Airlines designated solely to exercise the rights provided for in subsection A of this Section shall not be counted against the limits on designation set forth in Section 1 of Annex I of the Agreement applicable to the Parties.

B. Own-Aircraft Services by Airlines Designated by the Government of the Russian Federation:

1. The Government of the Russian Federation shall have the right to designate any number of airlines to operate any number of frequencies on routes between any point or points in the Russian Federation and any point or points in the United States of America, provided that the operation serves a point in Alaska.

2. Frequencies operated under paragraph 1 of subsection B of this Section shall not be counted against limits on frequencies applicable to operations by airlines designated by the Government of the Russian Federation set forth in subsection B of Section 4 of Annex I of the Agreement. Airlines designated solely to exercise rights provided for in paragraph 1 of this subsection shall not be counted against the limit

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